Kagisano-Molopo Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

General Information

Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	Cllr. Mochware OR
Councillors	Cllr. Baakanyang TZ
	Cllr. Baepi KD
	Cllr. Bahumi LM
	Cllr. Bonnet S
	Cllr. Chichindua BC
	Cllr. Cufa ZMJZ
	Cllr. Diphikwe
	Cllr. Dithakgwe BB
	Cllr. Gaobepe LE
	Cllr. Lekoma MA
	Cllr. Lenner
	Cllr. Loabile LC
	Cllr. Loabile-Gaanakgomo LC
	Cllr. Mathe TA
	Cllr. Miguel MT
	Cllr. Modise SR
	Cllr. Moreki KS
	Cllr. Mosilabele
	Cllr. Namusi SKM
	Cllr. Nthebotsenyane
	Cllr. Ntlhaile MJ
	Cllr. Olaotswe TM
	Cllr. Phillip OA
	Cllr. Ratshipa IF
	Cllr. Sedumecwe ME
	Cllr. Seeletso MM
	Cllr. Seswai NF
	Cllr. Setae TV
	Cllr. Ulembe D
Grading of local authority	Category B, Grade 1
Accounting Officer	Mr. Moate D
Chief Finance Officer (CFO)	Ms. Moroane GP
Registered office	Municipal Offices Ganyesa 8613
Business address	Municipal offices Next to Ganyesa Clinic Chief block section 8613
Postal address	Private Bag X522 Ganyesa 8613
Bankers	ABSA

General Information

Auditors	Auditor General of South Africa
Attorneys	Venter Booysen & Ferreira

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on grant funding for continued operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Mr. Moate D.H.
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2012.

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 38(10)(1) of the PFMA and Treasury Regulation 3.1. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the audit report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position

Figures in Rand	Note	2012
Assets		
Current Assets		
Trade and other receivables from exchange transactions	6	3,794,528
VAT receivable	7	12,917,807
Cash and cash equivalents	8	50,181,780
		66,894,115
Non-Current Assets		
Investment property	3	29,940,672
Property, plant and equipment	4	114,063,063
		144,003,735
Total Assets		**210,897,850**
Liabilities		
Current Liabilities		
Unspent conditional grants and receipts	12	61,115,648
Provisions	13	10,320
Trade and other payables from exchange transactions	14	11,796,644
		72,922,612
Non-Current Liabilities		
Provisions	13	285,896
Total Liabilities		**73,208,508**
Net Assets		**137,689,342**
Net Assets		
Reserves		
Revaluation reserve		70,474
Accumulated surplus		137,618,868
Total Net Assets		**137,689,342**

Statement of Financial Performance

Figures in Rand	Note	2012
Revenue		
Property rates	17	1,212,333
Rental of facilities		96,099
Government grants & subsidies	18	70,410,313
Interest received	23	1,748,436
Rental of property		803,363
Other income	19	105,468
Total Revenue		**74,376,012**
Expenditure		
General Expenses	20	(18,363,488)
Employee related costs	21	(18,304,397)
Remuneration of councillors	22	(7,699,186)
Depreciation	25	(4,240,162)
Impairment loss/ Reversal of impairments	26	(541,762)
Repairs and maintenance		(628,934)
Contracted services	27	(2,218,738)
Grants and subsidies paid	28	(603,216)
Total Expenditure		**(52,599,883)**
Fair value adjustments	24	1,398,948
Surplus for the year		**23,175,077**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	70,474	153,065,934	153,136,408
Adjustments			
Fundamental errors affecting net assets	-	(38,622,143)	(38,622,143)
Balance at 01 July 2011 as restated	**70,474**	**114,443,791**	**114,514,265**
Surplus for the year	-	23,175,077	23,175,077
Total changes	-	23,175,077	23,175,077
Balance at 30 June 2012	**70,474**	**137,618,868**	**137,689,342**

Cash Flow Statement

Figures in Rand	Note(s)	2012
Cash flows from operating activities		
Receipts		
Rental income		899,462
Grants		126,407,755
Interest income		1,748,436
Other receipts		1,317,801
		130,373,454
Payments		
Employee costs		(26,003,583)
Suppliers		(21,814,376)
		(47,817,959)
Net cash flows from operating activities	29	**82,555,495**
Cash flows from investing activities		
Purchase of property, plant and equipment	4	(43,065,970)
Purchase of investment property	3	(830,152)
Net cash flows from investing activities		**(43,896,122)**
Net increase/(decrease) in cash and cash equivalents		**38,659,373**
Cash and cash equivalents at the beginning of the year		11,522,407
Cash and cash equivalents at the end of the year	8	**50,181,780**

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention unless specified otherwise. They are presented in South African Rands.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Trade and other receivables

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The provision for impairment of trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The municipality reviews and tests the carrying amount of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives and residual values of property, plant and equipment

The municipality's management determines the estimated useful lives, residual values and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

The municipality used the prime interest rate rate to discount future cash flows.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services;
- administrative purposes; or
- sale in the ordinary course of operations.

Accounting Policies

1.2 Investment property (continued)

Investment property is recognised when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost including transaction cost.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include amounts incurred initially to acquire the investment property and costs incurred subsequently to add to, or to replace a part of the investment property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in surplus or deficit for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value. If the acquired non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include amounts incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, or to replace a significant part of Property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.3 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses except for land and buildings, infrastructure and community assets which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation surplus is credited to the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit, in which case, the increase is recognised in surplus or deficit. A revaluation deficit is recognised in surplus or deficit, except to the extent that it offsets an existing surplus on the same assets recognised in the revaluation reserve.

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Infrastructure	
• Roads and lights	10 - 40 years
Community	
• Buildings	30 years
• Recreational facilities	30 years
• Cemeteries	30 years
• Hall	30 years
• Libraries	30 years
• Civic buildings	
• Other assets	
Other assets	
• Buildings	30 years
• Office equipment	5 - 7 years
• Furniture and fittings	5 - 10 years
• Emergency equipment	5 years
• Computer equipment	5 years
• Motor vehicles	7 - 10 years
• Other assets	

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.3 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference in recognised in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement

The entity measures a financial asset and financial liability at amortised cost initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.4 Financial instruments (continued)

Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. The instrument is then reclassified from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.4 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.6 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

1.6 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31 - Contingencies.

1.7 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.7 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.8 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

1.8 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind are not recognised.

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the conditions embodied in the agreement. To the extent that the conditions have not been met a liability is recognised.

1.10 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.11 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of, or that is not in accordance with:
- a requirement of the MFMA (Act No. 56 of 2003), and which has not been condoned in terms of section 170; or
- a requirement of the Municipal System Act (Act No.32 of 2000), and which has not been condoned in terms of this Act; or
- a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- a requirement of the supply chain management policy of the municipality or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

1.12 Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as impaired and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Budget information

A comparison between budget and actual information has been included in the annual financial statements as the annual financial statements and the budget are on the same basis of accounting. Refer to note 42 - Comparison between budget and actual information.

1.15 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.16 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality has adopted the standard for the first time once it becomes effective.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

An entity should present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this standard is currently being assessed.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The impact of this standard is currently being assessed.

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality has adopted the standard for the first time once it becomes effective.

The impact of the standard is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality has adopted the standard for the first time once it becomes effective.

The impact of the amendment is set out in note Changes in Accounting Policy.

IGRAPs

The following intepretations to GRAP have been issued:

- iGRAP 2-10 and 13-15.

The effective date of the interpretations is for years beginning on or after 01 April 2011.

The municipality has adopted the interpretations for the first time in the 2012 annual financial statements.

The impact of the is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 105: Transfer of Functions Between Entities Under Common Control

Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 106: Transfer of Functions Between Entities Not Under Common Control

Establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 107: Mergers

Establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of the standard is to ensure that an entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality has adopted the standard for the first time once it becomes effective.

Improvements to the Standards of GRAP

Improvements to the following standards of GRAP were made as part of the ASB’s improvement project:

- GRAP 1-4, 9-14, 16-17, 19 and 100.

The effective date of the amendments is for years beginning on or after 01 April 2011.

The municipality has adopted the amendments for the first time in the 2012 annual financial statements.

3. Investment property

	2012		
	Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	30,037,019	(96,347)	29,940,672

Reconciliation of investment property - 2012

	Opening balance	Additions	Depreciation	Total
Investment property	29,118,549	830,152	(8,029)	29,940,672

Pledged as security

None of the investment property were pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2010. Revaluations were performed by an independent valuer, Mr Botha [specify qualifications], of Messrs Botha and Rudd. Botha and Rudd are not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use and is performed every 3 years, the next valuation will be performed on 30 June 2013.

These assumptions are based on current market conditions.

4. Property, plant and equipment

	2012		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	10,715,037	(2,599,330)	8,115,707
Furniture and fittings	1,482,698	(771,623)	711,075
Motor vehicles	7,837,804	(1,820,128)	6,017,676
Office equipment	267,528	(116,227)	151,301
Computer equipment	1,501,521	(320,760)	1,180,761
Infrastructure	12,050,831	(4,443,559)	7,607,272
Community	49,680,901	(10,540,282)	39,140,619
Other assets	1,054,504	(314,388)	740,116
Capital work in progress	50,393,619	-	50,393,619
Emergency equipment	31,142	(26,225)	4,917
Total	**135,015,585**	**(20,952,522)**	**114,063,063**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals / theft	Depreciation	Impairment loss	Total
Buildings	7,824,265	568,211	-	(276,769)	-	8,115,707
Office furniture	996,517	7,473	-	(279,041)	(13,874)	711,075
Motor vehicles	4,648,115	1,845,954	-	(476,393)	-	6,017,676
Office equipment	468,801	27,829	(244,103)	(95,649)	(5,577)	151,301
IT equipment	838,946	933,044	(370,122)	(218,096)	(3,011)	1,180,761
Infrastructure	7,265,226	1,082,447	-	(740,401)	-	7,607,272
Community	40,968,014	190,627	-	(2,018,022)	-	39,140,619
Other assets	1,195,252	498,874	(817,217)	(119,620)	(17,173)	740,116
Capital work in progress	34,709,593	15,684,026	-	-	-	50,393,619
Emergency equipment	105,381	-	(89,476)	(7,593)	(3,395)	4,917
	99,020,110	**20,838,485**	**(1,520,918)**	**(4,231,584)**	**(43,030)**	**114,063,063**

Pledged as security

None of the assets were pledged as security.

5. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Loans and receivables	Total
Trade and other receivables	3,794,528	3,794,528
Cash and cash equivalents	50,181,780	50,181,780
VAT	12,917,807	12,917,807
	66,894,115	**66,894,115**

6. Trade and other receivables from exchange transactions

Trade receivables - property rates	999,818
Other receivables	1,121,030
Rental receivables	624,476
Provision for impairment	(898,369)
Control accounts	1,947,573
	3,794,528

Trade and other receivables pledged as security

Trade and other receivables were not pledge as security for overdraft facilities.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired.

6. Trade and other receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 898,369 were impaired and provided for.

The ageing of these loans is as follows:

Current to 3 months	1,846,955

Reconciliation of provision for impairment of trade and other receivables

Opening balance	2,029,400
Provision for impairment	617,972
Amounts written off as uncollectible	(1,629,762)
Amounts reversed	(119,241)
	898,369

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security.

7. VAT receivable

VAT	12,917,807

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	17,476,739
Short-term deposits	32,705,041
	50,181,780

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2012	Cash book balances 30 June 2012
Absa Bank - Current Account - 4053 77 3896	14,688	14,688
Absa Bank - Current Account - 4053 77 3896	117,213	117,213
Absa Bank - Current Account - 4053 77 3896	17,344,966	17,344,966
Total	**17,476,867**	**17,476,867**

Notes to the Annual Financial Statements

9. Revaluation reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. Land and buildings are not depreciated. Revaluations on land and buildings are performed in 3 year cycles. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(defecit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statements of Financial Performance.

	2012
Opening balance	70,474

10. Donations and public contributions

No donations or public contributions were received during the year.

11. Accumulated surplus

Movement due to merger of municipalities

	Formerly Kagisano Local Municipality	Formerly Molopo Local Municipality	Kagisano-Molopo Local Municipality	Total
Closing balance as at 30 June 2011	118,685,789	34,398,231	-	153,084,020
Current year surplus	-	-	23,175,077	23,175,077
Prior period error	(38,593,393)	(28,750)	-	(38,622,143)
Other movements	-	-	(18,086)	(18,086)
	-	**-**	**-**	**137,618,868**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants as at 30 June 2012	
Municipal systems improvement grant	982,528
Tax capacity grant	469,231
Free basic services grant	341,726
Local government development fund	1,774,944
Financial assistance grant	34,095
Transitional grant	690,384
Local economic development grant (charcoal project)	106,047
Municipal infrastructure grant	47,032,035
Financial management grant	4,056,839
SASSA conditional grant	20,000
Library grant	679,248
1600 Housing units project	721,359
DRSMDM - Completion of Ganyesa and Morokwe	1,194,150
National lottery grant	400,433
DSAC - Libraries	167,683
Bophirma district municipality - Wild Silk	1,647,682
Small enterprise development agency	652,213
DRSM - Renovation of community halls	(3,368)
LGSeta	148,419
	61,115,648

Notes to the Annual Financial Statements

Figures in Rand	2012

12. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	45,560,447
Additions during the year	27,461,514
Income recognition during the year	(11,906,313)
	61,115,648

The nature and extent of government grants recognised in the annual financial statements is an indication of other forms of government assistance from which the municipality has directly benefited to maintain as a going concern.

13. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Long service awards	166,688	15,034	181,722
Continued medical aid	105,040	9,454	114,494
	271,728	**24,488**	**296,216**

Non-current liabilities	285,896
Current liabilities	10,320
	296,216

Long service awards

Long-service awards are initially payable after 10 years and thereafter every 5 years of continuous service. The provision is an estimate of the long-service based on the current staff complement and remuneration adjusted for fair value.

Continued medical aid

Continued medical aid contributions are paid on behalf of former officials who have retired at retirement age after at least 10 consecutive years in the service of the municipality. The provision is an estimate of the continued medical aid contributions based on the current staff complement and pensioners adjusted for fair value.

14. Trade and other payables from exchange transactions

Retentions	3,295,071
Other payables	4,501,504
Accrued leave	1,834,766
Accruals	1,934,623
Guarantees	230,680
	11,796,644

Fair value of trade and other payables does approximate their carrying amount.

Notes to the Annual Financial Statements

Figures in Rand	2012

15. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2012

	Financial liabilities at amortised cost	Total
Trade and other payables	11,796,644	11,796,644
Unspent grants	61,115,648	61,115,648
	72,912,292	**72,912,292**

16. Revenue

Property rates	1,212,333
Rental of properties and flats	803,363
Rental of facilities and equipment	96,099
Government grants & subsidies	70,410,313
	72,522,108

The amount included in revenue arising from exchanges of goods or services are as follows:	
Rental income	803,363
Rental of facilities	96,099
	899,462

The amount included in revenue arising from non-exchange transactions is as follows:	
Property rates	1,212,333
Government grants	70,410,313
	71,622,646

17. Property rates

Rates received

Residential	11,430
Commercial	120,866
State	163,653
Small holdings and farms	2,700,773
Less: Rebates	(1,784,389)
	1,212,333

18. Government grants and subsidies

Equitable share	58,504,000
Conditional grants	11,906,313
	70,410,313

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Figures in Rand	2012

18. Government grants and subsidies (continued)

Municipal systems improvement grant

Balance unspent at beginning of year	367,695
Current-year receipts	790,000
Conditions met - transferred to revenue	(175,167)
	982,528

Conditions still to be met - remain liabilities (see note 12).

This grant is used to establish systems within the Kagisano - Molopo Local Municipality. No funds have been withheld.

Tax capacity grant

Balance unspent at beginning of year	469,231

Conditions still to be met - remain liabilities (see note 12).

This grant is used to establish systems within the Kagisano - Molopo Local Municipality for the establishment of an own tax base. No funds have been witheld.

Free basic service grant

Balance unspent at beginning of year	538,562
Conditions met - transferred to revenue	(196,836)
	341,726

Conditions still to be met - remain liabilities (see note 12).

This grant is used to establish systems within the Kagisano - Molopo Local Municipality. No funds have been withheld.

Local government development fund

Balance unspent at beginning of year	1,774,944

Conditions still to be met - remain liabilities (see note 12).

This grant is used to build municipal offices for the Kagisano - Molopo Local Municipality. No funds have been withheld.

Financial assistance grant

Balance unspent at beginning of year	34,095

Conditions still to be met - remain liabilities (see note 12).

This grant is used to establish financial systems within the Kagisano - Molopo Local Municipality. No funds have been witheld.

Transitional grant

Balance unspent at beginning of year	690,384

Conditions still to be met - remain liabilities (see note 12).

This grant is used to establish financial systems within the Kagisano - Molopo Local Municipality. No funds have been witheld.

Figures in Rand	2012

18. **Government grants and subsidies (continued)**

Local economic development grant (Charcoal project)

Balance unspent at beginning of year	106,047

Conditions still to be met - remain liabilities (see note 12).

This grant was used towards the Molopo Charcoal project. No funds have been witheld.

Municipal infrastructure grant

Balance unspent at beginning of year	33,397,024
Current-year receipts	24,613,000
Conditions met - transferred to revenue	(10,977,989)
	47,032,035

Conditions still to be met - remain liabilities (see note 12).

This grant was used for the construction of various infrastructure projects. No funds have been withheld.

Financial management grant

Balance unspent at beginning of year	2,494,568
Current-year receipts	2,000,000
Conditions met - transferred to revenue	(437,729)
	4,056,839

Conditions still to be met - remain liabilities (see note 12).

This grant is used to establish financial systems within the Kagisano - Molopo Local Municipality. No funds have been withheld.

SASSA conditional grant

Balance unspent at beginning of year	20,000

Conditions still to be met - remain liabilities (see note 12).

This grant is used to finance the upgrading of pension pay points. No funds have been withheld..

Library fund

Balance unspent at beginning of year	797,841
Conditions met - transferred to revenue	(118,593)
	679,248

Conditions still to be met - remain liabilities (see note 12).

This grant was used to fund the libraries in the Kagisano - Molopo Local Municipality. No funds have been witheld.

1600 Housing units project

Balance unspent at beginning of year	721,359

Conditions still to be met - remain liabilities (see note 12).

This grant will be used to construct 1600 house units within the community of Kagisano..

18. Government grants and subsidies (continued)

DRSMDM - Completion of Ganyesa and Morokweng

	2012
Balance unspent at beginning of year	1,194,150

Conditions still to be met - remain liabilities (see note 12).

The grant will be used to construct Ganyesa and Morokweng libraries.

National lottery grant

	2012
Balance unspent at beginning of year	400,433

Conditions still to be met - remain liabilities (see note 12).

This grant will be used to upgrade sport facilities within Ganyeasa community.

Bophirima district municipality

	2012
Balance unspent at beginning of year	167,683

Conditions still to be met - remain liabilities (see note 12).

This grant will be used for the administration and compiling of the indigent register.

Bophirima district municipality - Wild silk

	2012
Balance unspent at beginning of year	1,647,682

Conditions still to be met - remain liabilities (see note 12).

This grant will be used for the construction of the wild silk plant. .

Small enterprise development agency

	2012
Balance unspent at beginning of year	652,213

Conditions still to be met - remain liabilities (see note 12).

This grant will be used for the construction of the Wild Silk plant.

DRSMDM - Renovation of community halls

	2012
Balance unspent at beginning of year	(3,368)

Conditions still to be met - remain liabilities (see note 12).

This grant will be used for the renovation of the community halls.

Figures in Rand	2012

18. Government grants and subsidies (continued)

LGSeta

Balance unspent at beginning of year	89,905
Current-year receipts	58,514
	148,419

Conditions still to be met - remain liabilities (see note 12).

This grant will be used for skills development within the Kagisano-Molopo local municipality.

19. Other income

Sundry income	105,468

20. General expenses

Advertising and promotions	249,072
Loss due to theft of assets	1,949,521
Audit fees	684,528
Bank charges	140,558
Cleaning	105,442
Community programmes	33,165
Community functions	130,459
Conferences and seminars	45,190
Consulting and professional fees	1,030,105
Water and Electricity	2,675,604
Entertainment	127,085
Fuel and oil	1,513,731
Pauper burials	276,477
Insurance	82,947
Lease rentals including operating leases	1,658,884
Mayoral outreach programmes	372,452
Motor vehicle expenses	8,465
Other expenses	614,259
Postage and courier	9,421
Printing and stationery	354,905
Sport facilities expenses	258,614
Refreshments and meals	312,390
Small tools and equipment	15,736
Software expenses	413,122
Special projects	647,237
Mayoral inauguration	246,311
Subscriptions and membership fees	253,202
Telephone, fax and data costs	1,073,623
Training	42,857
Travel and subsistence	2,789,602
Workman's compensation	248,524
	18,363,488

Figures in Rand	2012

21. Employee related costs

Basic	11,118,297
Acting allowances	199,305
Bonus	617,263
Housing benefits and allowances	419,251
Leave pay provision charge	145,550
Medical aid contributions	875,311
Taxable	154,000
Telephone	244,620
Reimbursive sports	963
Bargaining council contribution	4,539
Pension Contributions	1,924,800
SDL	137,934
Travel, motor car, accommodation, subsistence and other allowances	2,351,295
UIF	111,269
	18,304,397

Remuneration of Mayor

Annual Remuneration	360,821
Contributions to UIF, Medical and Pension Funds	63,389
Other allowances	253,422
	677,632

Remuneration of Municipal Manager

Annual Remuneration	986,744
Contributions to UIF, Medical and Pension Funds	235,944
Other allowances	144,225
	1,366,913

22. Remuneration of councillors

Executive Major	677,631
Speaker	7,021,555
	7,699,186

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor have the use of separate Council owned vehicles for official duties.

23. Interest received

Bank	447,348
Short term deposits	1,301,088
	1,748,436

24. Fair value adjustments

Property, plant and equipment	1,398,948

Notes to the Annual Financial Statements

Figures in Rand	2012

25. Depreciation

Property, plant and equipment	4,240,162

26. Impairment of assets

Impairments	
Property, plant and equipment	43,031
Trade and other receivables	498,731
	541,762

27. Contracted services

Professional fees	42,675
Training	1,200
IT and security services	2,174,863
	2,218,738

28. Grants and subsidies paid

SMME Development	52,457
Wild Silk Africa Plant	11,638
Development of LED & Tourism	43,934
Donations : Mayors Discretionary Fund	1,485
Bursary: Community Members	363,969
Bursary: Municipal Officials	129,733
	603,216

29. Cash generated from operations

Surplus	23,175,077
Adjustments for:	
Depreciation and amortisation	4,240,162
Fair value adjustments	(1,398,948)
Impairment deficit	541,762
Movements in provisions	296,216
Changes in working capital:	
Trade and other receivables from exchange transactions	(4,293,259)
Trade and other payables from exchange transactions	11,796,644
VAT	(12,917,807)
Unspent conditional grants and receipts	61,115,648
	82,555,495

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for	
• Property, plant and equipment	38,402,996

Not yet contracted for and authorised by accounting officer	
• Property, plant and equipment	12,041,000

This committed expenditure relates to plant and equipment and will be financed by government grants.

31. Contingencies

Contigencies consist of the following:

Joseph Modisaotsile	90,000
K Dijwe	550,000
Nduza Cleaning & Security Services CC	70,000

Joseph Modisaotsile

Mr Modisaotsile instituted a legal action against the Municipality for the recovery of an amount of R399 000.00 being in respect of alleged malicious prosecution. Modisaotsile alleges that the Municipality maliciously laid false charges of theft against him in respect of a brick making machine, fencing material and 3 water pumps.

The action against the Municipality is being defended and a Plea has been filed on behalf of the municipality. At this stage a pre-trail conference has to be convened after which application will be made for trail dates.

The estimation of the Municipality's exposure is based on the possibility that the Applicant may succeed with the application in which event the Municipality will also be liable for the payment of its own as well as that of the Applicant.

K Dijwe

Mr Dijwe instituted a legal action against the Municipality for the recovery of an amount of R269 632.00 000 being in respect of alleged malicious prosecution. Dijwe alleges that the Municipality maliciously laid false charges of theft against him in respect of a brick making machine and fencing material.

Mr Dijwe is a co-accused with Mr Modisaotsile referred as above.

The Municipality is defending Mr Dijwe's claim and the trial currently is at a advanced stage and has been postponed to be continued with during the week of the 17th to the 21st of September 2012 in the North West High Court, Mafikeng.

The estimation of the Municipality's exposure is based on the possibility that the Applicant may succeed with the application in which event the Municipality will also be liable for the payment of its own as well as that of the Applicant.

Nduza Cleaning & Security Services CC

This firm was the successful bidder for the provision of security services in terms of bid nr. KLM2010-003l. The firm institute action against the Municipality for the recovery of an amount of R255 551.44 being in respect of an increase in the tender price that they alleged to be entitled to.

The estimation of the Municipality's exposure is based on the possibility that the Applicant may succeed with the application in which event the Municipality will also be liable for the payment of its own as well as that of the Applicant.

32. Related parties

Relationships

Members of key management and council	Refer to note below:

Related party transactions

Nduza Cleaning and security services	
Cleaning and security	2,509,314
Tatso catering services	
Catering services	31,640

The wife of Mr. Marumo, the senior manager of community services, is the owner of Nduzi Cleaning and Security Services.
The wife of Mr. Makhati, a councillor, is the owner of Tatso Catering Services.

Figures in Rand	2012

33. Prior period errors

Work in progress to the value of R38,593,393 for 1600 housing units build were transferred to Provincial Government during the 2020 financial year. The transaction were never recorded.

Fair value adjustment to the value of R28,750 to investment properties were never recorded during the 2010 financial year.

The correction of the error(s) results in adjustments as follows:

Statement of financial position	
Property, plant and equipment	(38,622,143)
Opening Accumualted Surplus or Deficit	38,622,143

34. Merger

Notice 378 of 2010 was issued by the Demarcation Board on 1 December 2010 that instructed the then Kagisano Local Municipality and Molopo Local Municipality to merge and establish a new combined entity named Kagisano-Molopo Local Municipality.

The effective date of the new establishment was 1 July 2011 (merger date). All assets acquired and liabilities assumed were measured at their carrying amounts. The difference between the carrying amounts of the assets acquired and the liabilities assumed were recognised in accumulated surplus.

All employees of both municipalities as referred above would be transferred to the new entity Kagisano-Molopo Local Municipality.

The effects of the merger is as follows:

Statement of financial position of Kagisano Local Municipality at the date of the merger (1 July 2011)	
Trade and other receivables from exchange transactions	232,408
VAT receivable	7,999,544
Cash and cash equivalents	8,729,389
Investments	10,592,691
Investment property	152,549
Property, plant and equipment	127,171,085
Trade and other payables form exchange transactions	(8,581,560)
Unspent conditional grants and receipts	(26,527,072)
Leave accrual	(1,076,577)
Bank overdraft	(6,668)
Accumulated surplus	(118,685,789)

Statement of financial position of Molopo Local Municipality at the date of the merger (1 July 2011)	
Trade and other receivables from exchange transactions	172,668
VAT receivable	845,453
Cash and cash equivalents	14,459,402
Investment property	28,966,000
Property, plant and equipment	9,979,632
Unspent conditional grant and receipts	(19,045,540)
Short term - Provisions	(2,662)
Long term - Provisions	(269,066)
Revaluation reserve	(70,474)
Accumulated surplus	(34,398,231)
Trade and other payables from exchange transactions	(637,182)

35. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Figures in Rand	2012

35. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

36. Going concern

We draw attention to the fact that at 30 June 2012, the municipality had accumulated surplus of R 137,618,868 and that the municipality's total assets exceed its liabilities by R 137,618,868.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Provincial Government continue to provide funding for the ongoing operations for the municipality.

37. Unauthorised expenditure

Opening balance	8,356,932
Condoned or written-off during the year	(8,356,932)
	-

Detail of unauthorised expenditure	
Over spending on operating votes for the 2006/2007 year	302,319
Over spending on operating votes for the 2007/2008 year	2,224,940
Over spending on operating votes for the 2008/2009 year	2,611,578
Over spending on operating votes for the 2009/2010 year	2,827,221
Over expenditure on capital project for the 2009/2010 year	390,875
	8,356,933

Current year expenditure	
No unauthorised expenditure did occur during the current year.	-

Over spending on operating votes for 2006/2007 year - The over expenditure on individual votes for the year , mainly due to changes in accounting policies and the implementation of the GRAP standards, These amounts are cash backed and will be presented to council for approval during the 2011/2012 financial year.

Over spending on operating votes for 2007/2008 year -The over expenditure in individual votes for the 2007/2008 financial year is cashed back and will be presented to council for approval during the 2011/2012 financial year.

Notes to the Annual Financial Statements

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37. Unauthorised expenditure (continued)

Over spending on operating votes for the 2008/2009 financial year - The over expenditure on individual votes for the 2008/2009 financial year is cash backed and will be presented to council for approval in the 2011/2012 financial year.

Over expenditure on operating budget votes - 2009/2010 year - The over expenditure on individual votes for the 2009/10 financial year is cash backed and will be presented to council for approval in the 2011/12 financial year.

Over expenditure on capital project - 2009/2010 year - The over expenditure on capital project no MLM2010-008 for the 2009/2010 financial year is cash backed and will be presented to council for approval in the 2011/12 financial year.

38. Fruitless and wasteful expenditure

Opening balance	10,289
Condoned or written-off by council	(10,289)
	-

Details of fruitless and wasteful expenditure	
Traffic fine	100
Pool vehicle misuse	7,100
Interest on late payment	3,089
	10,289

Traffice fine - Traffic fine paid during the 2009/2010 financial year due to an avoidable traffic violation. This expense will be investigated and presented to council for decision on recovery or condonement during the 2011/2012 financial year.

Pool vehicle misuse - Several incidences of potensial pool vehicle misuse was identified during the 2009/2010 financial year. The expense relating to the potential misuse will be investigated and present to council for a disicion to recover the expenses or condonement.

Interest on late payment - Interest charged on invoices received late. The expenses relating to the potential misuse will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

39. Irregular expenditure

Opening balance	3,342,658
Less: Amounts condoned or recovered	(3,342,658)
	-

Analysis of expenditure awaiting condonation per age classification

Details of irregular expenditure – current year	
No irregular expenditure did occur during the current year.	-

39. Irregular expenditure (continued)

Mayoral vehicle - The municipality provided a council vehicle to the Mayor for his exclusive use. As no accurate records were maintained to distinguish between private and business use, the entire kilometers travelled for the year is deemed to be private. The deemed private portion of the use therof is in excess of the upper limits for remuneration of councillors per the Public Office Bearers Act. This expense will be invetsigated and presented to council for decision on recovery or condonment in the 2011/2012 financial year.

Mayoral credit card - The municipality provided a credit card to the Mayor for his exclusive use to pay for accomodation and related costs. On a monthly basis invoices are to be submitted to the finance department as proof of expenditure on behalf of the municapality. Where no such proof is submitted the expense is allocated to a sundry debtor account to be recovered from the Mayor. This expense will be investigated and presented to council for a decision to recover or condone in the 2011/2012 financial year.

Sitting, testing and drilling of boreholes - The quotation for the drilling and testing of a borehole was awarded to Ipintombi Construction CC. The quotation was however not awarded to the qualifying bidder with the highest points. This quotation appointment will be investigated and be present to council for recovery or condonement during the 2011/2012 financial year.

Tosca town expenditure - The Tosca Trust was appointed to manage all aspects of the Tosca town including service delivery, repairs, payment of accounts and the collection of rental income. No competitive bidding processes were however followed on the appointment in terms of the supply chain management regulations. This appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Tosca town rental income: balance due - The Tosca Trust was appointed to manage all aspects of the Tosca town including service delivery, repairs, payment of accounts and the collection of rental income. As the owner of the Tosca Trust, Mr. Frikkie Louwrens, is a councillor of the Molopo Local Municipality, the amount due constitutes a loan and is in contravention of the MFMA. This balance will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Construction of new office building - The bid for the appointment of the professional consultant on the construction of new office building project was awarded to GT Chaane Quantity Surveyors CC. The bid was however not awarded to the qualifying bidder with the highest points in terms of SCM regulations. This bid appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Team building workshop - The quotation for the appointment of the service provider on a team building workshop was awarded to Khumo Human Resources Solutions. The quotation was however not awarded in terms of SCM regulations as only one quotation was received. This quotation appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Training of councillors and officials - The bid for the appointment of the service provider on a Training of Councillors and Officials project was awarded to Lebonkhine & Associate (Pty) Ltd. The bid was however not awarded in terms of SCM regulations as only one bid was received. This bid appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

MIG Funded project - SCM non-compliance - The project for the cleaning of the Bray, Pomfret and Tosca Cemetries was handled as a community project as payment for work done was made directly to community members. The appointments were however not awarded in terms of SCM regulations as no bid was advertized. This appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Forensic investigation - SCM non-compliance - The special forensic investigation regarding the suspension of the former Municipal Manager was awarded to Mathews and Partners Attoneys directly by Council. The appointment was however not awarded in terms of SCM regulations as no bid was advertized. This appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Photo copiers rental renewal - SCM non-compliance - Rental contracts for copier machines were renewed during the year and the appointment was however not awarded in terms of SCM regulations as no bid was advertized. This appointment will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

Various smaller SCM non-compliance issues - Various smaller SCM non-compliance issues had occured during the year. Quotations were not awarded to the qualifying bidders with the highest points in terms of SCM regulations. These appointments will be investigated and presented to council for decision on recovery or write-off in the 2011/12 financial year.

40. In-kind donations and assistance

No in-kind donations or assistance were received during the financial year.

41. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

	2012
Opening balance	13,738
Current year subscription / fee	111,339
Amount paid - current year	(111,339)
	13,738

The balance unpaid represents PAYE over deductions in previous years re-imbursed in error by SARS. This matter has been resolved with SARS in the 2007/08 year.

Pension and Medical Aid Deductions

	2012
Current year subscription / fee	3,190,142
Amount paid - current year	(3,190,142)
	-

VAT

	2012
VAT receivable	12,917,807

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

Figures in Rand

42. Statement of comparative and actual information

2012

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates	1,552,644	-	1,552,644	1,212,333	340,311	78 %	78 %
Investment revenue	1,000,000	-	1,000,000	1,748,436	(748,436)	175 %	175 %
Government grants	102,756,884	-	102,756,884	70,410,313	32,346,571	69 %	69 %
Other own revenue	-	-	-	2,403,878	(2,403,878)	DIV/0 %	DIV/0 %
Total revenue (excluding capital transfers and contributions)	**105,309,528**	**-**	**105,309,528**	**75,774,960**	**29,534,568**	**72 %**	**72 %**
Employee costs	(19,098,296)	-	(19,098,296)	(18,304,397)	(793,899)	96 %	96 %
Remuneration of councillors	(7,643,713)	-	(7,643,713)	(7,699,186)	55,473	101 %	101 %
Depreciation and asset impairment	(1,200,000)	-	(1,200,000)	(4,781,924)	3,581,924	398 %	398 %
Transfers and grants	(7,285,000)	-	(7,285,000)	(603,216)	(6,681,784)	8 %	8 %
Other expenditure	(17,058,402)	-	(17,058,402)	(21,211,160)	4,152,758	124 %	124 %
Total expenditure	**(52,285,411)**	**-**	**(52,285,411)**	**(52,599,883)**	**314,472**	**101 %**	**101 %**
Surplus/(Deficit) for the year	**53,024,117**	**-**	**53,024,117**	**23,175,077**	**29,849,040**	**44 %**	**44 %**

Notes to the Annual Financial Statements

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42. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget